

**REPORT OF THE AUDIT OF THE
BULLITT COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2014**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BULLITT COUNTY FISCAL COURT

June 30, 2014

The Auditor of Public Accounts has completed the audit of the Bullitt County Fiscal Court for fiscal year ended June 30, 2014.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Bullitt County, Kentucky.

Financial Condition:

The Bullitt County Fiscal Court had total receipts of \$19,622,698 and disbursements of \$20,639,418 in fiscal year 2014. This resulted in a total ending fund balance of \$3,869,066 which is a decrease of \$1,016,720 from the prior year.

Report Comments:

- 2014-001 The Jailer Should Follow County's Required Bid Procedures For Purchases In Excess Of \$20,000
KRS 424.260
- 2014-002 The Bullitt County Animal Control Lacks Adequate Segregation Of Duties Over Receipts

Deposits:

The fiscal court deposits were insured and collateralized by bank securities.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Melanie J. Roberts, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Bullitt County, Kentucky, for the year ended June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in more fully in Note 1, the financial statement is prepared by Bullitt County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Bullitt County, Kentucky as of June 30, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Bullitt County, Kentucky as of June 30, 2014, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Bullitt County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules and capital asset schedule, have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the basic financial statement.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 09, 2015 on our consideration of Bullitt County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2014-001 The Jailer Should Follow County's Required Bid Procedures For Purchases In Excess Of \$20,000
KRS 424.260
- 2014-002 The Bullitt County Animal Control Lacks Adequate Segregation Of Duties Over Receipts

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

July 09, 2015

BULLITT COUNTY OFFICIALS

For The Year Ended June 30, 2014

Fiscal Court Members:

Melanie Roberts	County Judge/Executive
Rick Clements	Magistrate
Betty "Ruthie" Ashbaugh	Magistrate
Joe Laswell	Magistrate
John Bradshaw	Magistrate
Robert Hunt	Magistrate

Other Elected Officials:

John W. Wooldridge	County Attorney
Martha Knox	Jailer
Kevin Mooney	County Clerk
Paulita A Keith	Circuit Court Clerk
Dave Greenwell	Sheriff
Bruce Johnson	Property Valuation Administrator
Dave Billings	Coroner

Appointed Personnel:

Kenann Sharp	County Treasurer
Michael Phillips	911 Administrator
Jimmy Stivers	Road Supervisor
Lisa Craddock	Deputy Judge/Executive

BULLITT COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

BULLITT COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 9,303,118	\$	\$
Excess Fees	595,794		
Licenses and Permits	773,148		
Intergovernmental	731,214	2,138,397	1,246,989
Charges for Services	23,090		140,253
Miscellaneous	301,633	860	222,160
Interest	8,659		
Total Receipts	<u>11,736,656</u>	<u>2,139,257</u>	<u>1,609,402</u>
DISBURSEMENTS			
General Government	3,673,944		
Protection to Persons and Property	393,565		2,833,831
General Health and Sanitation	457,376		
Social Services	124,951		
Recreation and Culture	370,672		
Roads		1,862,784	
Debt Service	875,050		
Capital Projects	926		
Administration	2,085,656	475,918	871,016
Total Disbursements	<u>7,982,140</u>	<u>2,338,702</u>	<u>3,704,847</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,754,516</u>	<u>(199,445)</u>	<u>(2,095,445)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		181,414	2,095,445
Transfers To Other Funds	(4,691,450)		
Total Other Adjustments to Cash (Uses)	<u>(4,691,450)</u>	<u>181,414</u>	<u>2,095,445</u>
Net Change in Fund Balance	(936,934)	(18,031)	
Fund Balance - Beginning	4,437,937	58,517	
Fund Balance - Ending	<u>\$ 3,501,003</u>	<u>\$ 40,486</u>	<u>\$ 0</u>
Composition of Fund Balance			
Bank Balance	\$ 3,574,474	\$ 42,497	\$ 41,205
Plus: Deposits In Transit			
Less: Outstanding Checks	(73,471)	(2,011)	(41,205)
Fund Balance - Ending	<u>\$ 3,501,003</u>	<u>\$ 40,486</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statement.

BULLITT COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2014
(Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	Federal Grants Fund	EMS Fund	Forest Fire Fund	911 Fund
\$	\$	\$	\$	\$ 268,964
250,337	61,019	14,954		251,468
		1,633,273	271	
		33,862		30,446
564				
<u>250,901</u>	<u>61,019</u>	<u>1,682,089</u>	<u>271</u>	<u>550,878</u>
11	52,019	2,577,375	1,728	744,779
334,016				
		1,064,674		259,002
<u>334,027</u>	<u>52,019</u>	<u>3,642,049</u>	<u>1,728</u>	<u>1,003,781</u>
<u>(83,126)</u>	<u>9,000</u>	<u>(1,959,960)</u>	<u>(1,457)</u>	<u>(452,903)</u>
		1,959,960	1,728	452,903
		<u>1,959,960</u>	<u>1,728</u>	<u>452,903</u>
(83,126)	9,000		271	
181,618			52	
<u>\$ 98,492</u>	<u>\$ 9,000</u>	<u>\$ 0</u>	<u>\$ 323</u>	<u>\$ 0</u>
\$ 98,492	\$ 9,000	\$ 71,073	\$ 323	\$ 1,918
		(71,073)		(1,918)
<u>\$ 98,492</u>	<u>\$ 9,000</u>	<u>\$ 0</u>	<u>\$ 323</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statement.

BULLITT COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2014
(Continued)

	<u>Unbudgeted Funds</u>			<u>Total Funds</u>
	<u>General Obligation Bond Fund</u>	<u>Public Properties Fund</u>	<u>Jail Commissary Fund</u>	
RECEIPTS				
Taxes	\$	\$	\$	\$ 9,572,082
Excess Fees				595,794
Licenses and Permits				773,148
Intergovernmental		1,302,505		5,996,883
Charges for Services				1,796,887
Miscellaneous			289,720	878,681
Interest				9,223
Total Receipts		<u>1,302,505</u>	<u>289,720</u>	<u>19,622,698</u>
DISBURSEMENTS				
General Government				3,673,944
Protection to Persons and Property				6,603,308
General Health and Sanitation				457,376
Social Services				124,951
Recreation and Culture			277,225	647,897
Roads				2,196,800
Debt Service	395	1,302,505		2,177,950
Capital Projects				926
Administration				4,756,266
Total Disbursements	<u>395</u>	<u>1,302,505</u>	<u>277,225</u>	<u>20,639,418</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(395)</u>		<u>12,495</u>	<u>(1,016,720)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds				4,691,450
Transfers To Other Funds				(4,691,450)
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(395)		12,495	(1,016,720)
Fund Balance - Beginning	395		207,267	4,885,786
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 219,762</u>	<u>\$ 3,869,066</u>
Composition of Fund Balance				
Bank Balance	\$	\$	\$ 207,971	\$ 4,046,953
Deposits In Transit			18,770	18,770
Less Outstanding Checks			(6,979)	(196,657)
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 219,762</u>	<u>\$ 3,869,066</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2014

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Bullitt County includes all budgeted and unbudgeted funds under the control of the Bullitt County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of receipts for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Federal Grants Fund - The primary purpose of this fund is to account federal grants and related disbursements of the county. The primary source of receipts for this fund is federal grants.

Emergency Management Service Fund - The primary purpose of this fund is to account for some emergency medical services of the county. The primary source of receipts for this fund is payments for service, federal, and state grants.

Forest Fire Fund - The primary purpose of this fund is to account for monies received from state forest fire protection. The primary source of receipts for this fund is state funds.

911 Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary source of receipts for this fund is the 911 telephone surcharge.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

General Obligation Bond Fund - The purpose of this fund is to account for debt service requirements of the general obligation refunding bond, Series 2013. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

Public Properties Fund - The primary purpose of this fund is to track the cost related to capital lease obligations of the Fiscal Court's various construction projects. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursement to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Bullitt County Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

The State Local Finance Officer does not require the Public Properties Fund or the General Obligation Bond to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Bullitt County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Bullitt County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Bullitt County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2014.

	General Fund	Total Transfers In
Road Fund	\$ 181,414	\$ 181,414
Jail Fund	2,095,445	2,095,445
Forest Fire Fund	1,728	1,728
EMS Fund	1,959,960	1,959,960
911 Fund	452,903	452,903
Total Transfers Out	<u>\$ 4,691,450</u>	<u>\$ 4,691,450</u>

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Agency Trust Funds

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2014 was \$10,949.

The Bullitt Fiscal Court established a flexible spending account in early 2000s to provide employees an additional health benefit. The Fiscal Court has contracted with Humana, a third-party administrator, to administer the plan. The plan allows employees to set aside funds for medical, dental, and vision and dependent care expenses. Employees contribute pre-tax funds through payroll deduction. Flexible savings account funds are 100% available as soon as the employee is eligible.

The Bullitt Fiscal Court established a health savings account in early 2000s to provide employees an additional health benefit. The funds are paid directly to employee's accounts from the Fiscal Court. The plan allows employees to set aside funds for medical, dental, and vision expenses. Employees contribute pre-tax funds through payroll deduction. Health savings account funds must be accumulated before they can be used.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 5. Long-term Debt

A. Courthouse

On July 16, 2002, the Fiscal Court entered into a finance lease obligation agreement with the KACoLT to borrow \$4,000,000 for the construction of a new courthouse. The Fiscal Court will pay 20 annual installments of varying amounts in accordance with the contract. The principal outstanding as of June 30, 2014, was \$2,050,000. The rate in the lease was fixed at 4.20% through the use of an interest rate swap between the trustee and a third party financial institution. The trustee has the right to charge any costs associated with the interest rate swap to the Fiscal Court through additional future rentals. Principal payment requirements and scheduled interest for the remaining term of the agreement, excluding any additional rentals resulting from the interest rate swap, are as follows:

Fiscal Year Ended June 30,	Principal	Interest & Fees
2015	\$ 215,000	\$ 98,507
2016	225,000	87,495
2017	240,000	75,875
2018	250,000	63,606
2019	260,000	50,834
2020-2022	<u>860,000</u>	<u>69,677</u>
Totals	<u>\$ 2,050,000</u>	<u>\$ 445,994</u>

On June 28, 2007 the Fiscal Court entered a financing obligation agreement with KACoLT for the purpose of funding cost over runs and change orders in the Judicial Center Project and to consolidate the debt associated with the Judicial Center. The term of the agreement is 20 years with varying principal payments due twice a year. During the year ended June 30, 2014, \$1,302,505 was paid directly to KACoLT by the AOC for the Fiscal Court's principal and interest payments under the agreement. The principal outstanding as of June 30, 2014 was \$12,447,294. The rate in the lease was fixed at 4.85% through the use of an interest rate swap between the trustee and a third party financial institution. The trustee has the right to charge any costs associated with the interest rate swap to the Fiscal Court through additional future rentals. Principal payment requirements and scheduled interest for the remaining term of the agreement, excluding any additional rentals resulting from the interest rate swap, are as follows:

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 5. Long-term Debt (Continued)

B. Judicial Center Refinance

Fiscal Year Ended June 30,	Principal	Interest & Fees
2015	\$ 724,276	\$ 578,230
2016	760,022	542,482
2017	797,672	504,833
2018	837,140	465,365
2019	878,595	423,911
2020-2024	5,089,489	1,423,036
2025-2027	<u>3,360,100</u>	<u>217,542</u>
Totals	<u>\$ 12,447,294</u>	<u>\$ 4,155,399</u>

On June 28, 2007, the Fiscal Court entered into a lease agreement with the Administrative Office of the Courts (AOC), which states that AOC agrees to pay 100% of the debt service requirements. The lease does not require the Fiscal Court to make any rental payments toward the project; however, the Fiscal Court is obligated to provide operation, maintenance, insurance and repair of the project.

The bonds are secured by a foreclosable first mortgage lien on the property and an assignment by the Fiscal Court of its rights, title and interest in the lease with AOC.

C. Land

On January 18, 2008, the Fiscal Court entered into a finance lease obligation agreement with KACoLT to borrow \$705,000 for the acquisition of land. The Fiscal Court will pay 15 annual installments of varying amounts in accordance with the contract. The principal outstanding as of June 30, 2014, was \$470,000. The rate in the lease was fixed at 4.258% through the use of an interest rate swap between the trustee and a third party financial institution. The trustee has the right to charge any costs associated with the interest rate swap to the Fiscal Court through additional future rentals. Principal payment requirements and scheduled interest for the remaining term of the agreement, excluding any additional rentals resulting from the interest rate swap, are as follows:

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 5. Long-term Debt (Continued)

C. Land (Continued)

Fiscal Year Ended June 30,	Principal	Interest & Fees
2015	\$ 45,000	\$ 19,208
2016	45,000	17,335
2017	50,000	15,374
2018	50,000	13,291
2019	50,000	11,208
2020-2023	<u>230,000</u>	<u>21,861</u>
Totals	<u>\$ 470,000</u>	<u>\$ 98,277</u>

D. Vehicles

On February 17, 2012, the Fiscal Court entered into a financing lease agreement with the KACoLT in the amount of \$123,379 for the purchase of five vehicles. The interest rate is 4.30% with principal and interest payments due monthly on the 20th until the termination date of February 20, 2017. The principal balance at June 30, 2014 was \$69,201. Future principal and interest requirements are:

Fiscal Year Ended June 30,	Principal	Interest & Fees
2015	\$ 25,027	\$ 2,486
2016	26,124	1,389
2017	<u>18,050</u>	<u>293</u>
Totals	<u>\$ 69,201</u>	<u>\$ 4,168</u>

E. General Obligation Refunding Bonds, Series 2013

On May 30, 2013, the Bullitt County Fiscal Court issued \$6,170,000 of General Obligation Refunding Bonds, Series 2013, for the purpose of paying off Bullitt County #4-Detention Center debt. The bond requires semi-annual interest payments due on February 1 and August 1. The bond will mature on February 1, 2026. The principal balance at June 30, 2013 was \$6,170,000. Future principal and interest requirements are:

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 5. Long-term Debt (Continued)

E. General Obligation Refunding Bonds, Series 2013 (Continued)

Fiscal Year Ended June 30,	Principal	Interest & Fees
2015	\$ 380,000	\$ 98,106
2016	385,000	94,306
2017	390,000	90,456
2018	395,000	86,556
2019	400,000	81,619
2020-2024	2,100,000	299,743
2025-2028	<u>1,710,000</u>	<u>93,225</u>
Totals	<u>\$ 5,760,000</u>	<u>\$ 844,011</u>

F. Interest Rate Swaps

Certain of the Fiscal Court's leases have been fixed through the use of interest rate swaps. The interest rate swaps are exchange agreements between the trustee and a third party financial institution, whereby the third party financial institution pays the trustee the variable rate interest within the swap (which is equivalent to the variable rate within the lease) and the Fiscal Court pays the fixed rate stated by the swap. Under the terms of lease agreements the trustee has the right to charge costs associated with the interest rate swap to the Fiscal Court through additional future rentals.

The swap becomes effective on the date that the county exercises its option to convert the variable interest rate in the lease to a fixed rate. The notional amount of the swap at that exercise date is equivalent to the then outstanding principal balance. The notional amount reduces over the term of the lease by the same amount as the principal payments on the lease, as they fall due. The swap terminates on the same date as the final principal payment is due on the respective lease.

The interest rate swaps in effect as of June 30, 2014 are as follows:

	Date Effective	Termination Date	Notional Amount at June 30, 2014	Settlement Amount at June 30, 2014
Courthouse	August 1, 2002	January 20, 2022	\$ 2,050,000	\$ 254,733
Judicial Center Refinance	June 28, 2007	March 1, 2027	12,447,294	1,920,483
Land	January 18, 2008	February 1, 2023	470,000	42,946

The settlement values above are calculated using the forward LIBOR curve, taking a percentage of that rate to estimate future SIFMA rates and are considered by the Fiscal Court to represent the fair value of the interest rate swaps at June 30, 2014. The variable rate on all of the swaps is the SIFMA index (formerly known as BMA).

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 5. Long-term Debt (Continued)

F. Interest Rate Swaps (Continued)

The swaps expose the Fiscal Court to the following risks that could give rise to additional rentals:

Credit risk: Credit risk is the risk that the third party financial institution will not fulfill its obligations to pay the variable rate interest. All third party financial institutions party to the interest rate swaps have S&P credit quality ratings of Aa2/AA-. The value of the transaction to the Fiscal Court depends upon the third party financial institutions maintaining their perceived creditworthiness in the municipal marketplace and fulfilling their obligations under the interest rate swap agreements. Should the third party financial institutions fail to fulfill their obligations the Fiscal Court will be required to pay additional rentals for any costs associated with terminating the swap agreement, plus the costs of entering into an interest rate swap agreement with an alternative financial institution. Should an alternative agreement not be available, the Fiscal Court would be required to make payments at the variable interest rate contained within the lease.

Basis risk: Basis risk is a term used to refer to a mismatch in the source of the variable interest rates in the lease agreement and the swap agreement. When an agency uses an interest rate swap agreement in conjunction with a variable rate debt instrument, the variable rate index used to calculate the payments due under the swap agreement (in this case, the SIFMA Index) may not match the rate at which the variable rate debt is remarketed (the interest rate on KACoLT's variable rate bonds, which is reset on a daily basis). This mismatch could potentially be magnified if KACoLT were to administer the program in such a way that the underlying bonds were determined to be taxable obligations, which would be considered an event of default according to the terms of the letter of credit agreement.

Termination risk: Termination risk is the risk that a derivative's unscheduled end will affect the Fiscal Court's asset/liability strategy or will present the Fiscal Court with potentially significant unscheduled termination payments to the trustee. For example, the Fiscal Court relies on the interest rate swaps to insulate it from the possibility of increasing interest rate payments. If the swap has an unscheduled termination, that benefit would not be available. The Fiscal Court would also be required to pay any costs associated with terminating the swap agreement.

Market access risk: Market access risk is the risk that the Fiscal Court will not be able to enter credit markets or that credit will become more costly. If the Fiscal Court is required to pay additional rentals or be required to pay higher variable rates, the Fiscal Court's credit rating could suffer and additional debt could become more expensive and more difficult to sell. The Fiscal Court may also be required to pay additional rentals for fees relating to any letters of credit being used to collateralize the interest rate swaps. Furthermore, if interest rates in the municipal bond market were to decrease and the Fiscal Court wanted to refinance the debt at a lower interest rate, the Fiscal Court would first have to terminate the swap agreement. When interest rate swap agreements are terminated prior to the contract's maturity, one party to the agreement will owe the other party a termination payment that reflects the value of the swap under current market conditions. It is likely that if rates have decreased to the extent that the Fiscal Court would want to refinance the debt, the Fiscal Court would be the party that would have to make a termination payment. The use of the interest rate swap agreement may limit the Fiscal Court's flexibility in managing the lease obligations going forward.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 5. Long-term Debt (Continued)

G. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 6,170,000	\$	\$ 410,000	\$ 5,760,000	\$ 380,000
Financing Obligations	16,000,556		964,061	15,036,495	1,009,303
Total Long-term Debt	<u>\$ 22,170,556</u>	<u>\$ 0</u>	<u>\$ 1,374,061</u>	<u>\$20,796,495</u>	<u>\$ 1,389,303</u>

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.70 percent.

The county's contribution for FY 2012 was \$1,889,602, FY 2013 was \$1,907,712, and FY 2014 was \$1,900,281.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 6. Employee Retirement System (Continued)

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

On February 24, 2000 the Bullitt County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 8. Insurance

For the fiscal year ended June 30, 2014, Bullitt County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Contingencies

There are lawsuits and claims pending against the Fiscal Court which may arise during the normal course of business. The Fiscal Court is a defendant in lawsuits and claims arising from, among other things, wrongful termination, wrongful arrest, personal injury, and violations of civil rights. Although the aggregate amount asserted in such lawsuits and claims could be potentially significant, Fiscal Court management believes that the ultimate outcome of these matters, after insurance proceeds, will not have a significant effect on the financial position of the Fiscal Court.

BULLITT COUNTY
BUDGRTARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 8,000,000	\$ 8,000,000	\$ 9,303,118	\$ 1,303,118
Excess Fees	565,000	565,000	595,794	30,794
Licenses and Permits	516,700	516,700	773,148	256,448
Intergovernmental	583,144	583,144	731,214	148,070
Charges for Services	20,000	20,000	23,090	3,090
Miscellaneous	249,400	316,075	301,633	(14,442)
Interest	15,000	15,000	8,659	(6,341)
Total Receipts	9,949,244	10,015,919	11,736,656	1,720,737
DISBURSEMENTS				
General Government	3,363,210	3,979,800	3,673,944	305,856
Protection to Persons and Property	392,276	397,048	393,565	3,483
General Health and Sanitation	477,606	480,338	457,376	22,962
Social Services	69,000	124,951	124,951	
Recreation and Culture	864,326	859,326	370,672	488,654
Debt Service	891,779	891,779	875,050	16,729
Capital Projects	5,400	5,400	926	4,474
Administration	3,736,124	3,456,387	2,085,656	1,370,731
Total Disbursements	9,799,721	10,195,029	7,982,140	2,212,889
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	149,523	(179,110)	3,754,516	3,933,626
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(4,149,523)	(4,149,523)	(4,691,450)	(541,927)
Total Other Adjustments to Cash (Uses)	(4,149,523)	(4,149,523)	(4,691,450)	(541,927)
Net Change in Fund Balance	(4,000,000)	(4,328,633)	(936,934)	3,391,699
Fund Balance Beginning	4,000,000	4,437,936	4,437,937	1
Fund Balance - Ending	\$ 0	\$ 109,303	\$ 3,501,003	\$ 3,391,700

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,824,900	\$ 1,834,894	\$ 2,138,397	\$ 303,503
Miscellaneous	2,500	2,500	860	(1,640)
Total Receipts	<u>1,827,400</u>	<u>1,837,394</u>	<u>2,139,257</u>	<u>301,863</u>
DISBURSEMENTS				
Roads	1,851,904	1,920,415	1,862,784	57,631
Administration	486,325	486,325	475,918	10,407
Total Disbursements	<u>2,338,229</u>	<u>2,406,740</u>	<u>2,338,702</u>	<u>68,038</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(510,829)</u>	<u>(569,346)</u>	<u>(199,445)</u>	<u>369,901</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	510,829	510,829	181,414	(329,415)
Total Other Adjustments to Cash (Uses)	<u>510,829</u>	<u>510,829</u>	<u>181,414</u>	<u>(329,415)</u>
Net Change in Fund Balance		(58,517)	(18,031)	40,486
Fund Balance Beginning		<u>58,517</u>	<u>58,517</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 40,486</u>	<u>\$ 40,486</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,064,000	\$ 1,148,641	\$ 1,246,989	\$ 98,348
Charges for Services	181,000	181,000	140,253	(40,747)
Miscellaneous	56,000	123,766	222,160	98,394
Total Receipts	<u>1,301,000</u>	<u>1,453,407</u>	<u>1,609,402</u>	<u>155,995</u>
DISBURSEMENTS				
Protection to Persons and Property Administration	2,782,913	2,833,831	2,833,831	
Total Disbursements	<u>3,521,263</u>	<u>3,704,847</u>	<u>3,704,847</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,220,263)</u>	<u>(2,251,440)</u>	<u>(2,095,445)</u>	<u>155,995</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>2,220,263</u>	<u>2,220,263</u>	<u>2,095,445</u>	<u>(124,818)</u>
Total Other Adjustments to Cash (Uses)	<u>2,220,263</u>	<u>2,220,263</u>	<u>2,095,445</u>	<u>(124,818)</u>
Net Change in Fund Balance		(31,177)		31,177
Fund Balance Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (31,177)</u>	<u>\$ 0</u>	<u>\$ 31,177</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 235,000	\$ 235,000	\$ 250,337	\$ 15,337
Interest			564	564
Total Receipts	<u>235,000</u>	<u>235,000</u>	<u>250,901</u>	<u>15,901</u>
DISBURSEMENTS				
Protection to Persons and Property	7,900	11	11	
Roads	260,000	334,016	334,016	
Total Disbursements	<u>267,900</u>	<u>334,027</u>	<u>334,027</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(32,900)</u>	<u>(99,027)</u>	<u>(83,126)</u>	<u>15,901</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(147,100)</u>	<u>(147,100)</u>		<u>147,100</u>
Total Other Adjustments to Cash (Uses)	<u>(147,100)</u>	<u>(147,100)</u>		<u>147,100</u>
Net Change in Fund Balance	(180,000)	(246,127)	(83,126)	163,001
Fund Balance Beginning	<u>180,000</u>	<u>180,000</u>	<u>181,618</u>	<u>1,618</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (66,127)</u>	<u>\$ 98,492</u>	<u>\$ 164,619</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

FEDERAL GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 468,000	\$ 468,000	\$ 61,019	\$ (406,981)
Total Receipts	<u>468,000</u>	<u>468,000</u>	<u>61,019</u>	<u>(406,981)</u>
DISBURSEMENTS				
Protection to Persons and Property	152,800	152,800	52,019	100,781
Total Disbursements	<u>152,800</u>	<u>152,800</u>	<u>52,019</u>	<u>100,781</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>315,200</u>	<u>315,200</u>	<u>9,000</u>	<u>(306,200)</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(315,200)</u>	<u>(315,200)</u>		<u>315,200</u>
Total Other Adjustments to Cash (Uses)	<u>(315,200)</u>	<u>(315,200)</u>		<u>315,200</u>
Net Change in Fund Balance			9,000	9,000
Fund Balance Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,000</u>	<u>\$ 9,000</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

	EMS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 14,954	\$ 4,954
Charges for Services	2,225,000	2,225,000	1,633,273	(591,727)
Miscellaneous	6,000	6,000	33,862	27,862
Total Receipts	<u>2,241,000</u>	<u>2,241,000</u>	<u>1,682,089</u>	<u>(558,911)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,591,750	2,577,375	2,577,375	
Administration	1,038,300	1,064,674	1,064,674	
Total Disbursements	<u>3,630,050</u>	<u>3,642,049</u>	<u>3,642,049</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,389,050)</u>	<u>(1,401,049)</u>	<u>(1,959,960)</u>	<u>(558,911)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,389,050	1,389,050	1,959,960	570,910
Total Other Adjustments to Cash (Uses)	<u>1,389,050</u>	<u>1,389,050</u>	<u>1,959,960</u>	<u>570,910</u>
Net Change in Fund Balance		(11,999)		11,999
Fund Balance Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (11,999)</u>	<u>\$ 0</u>	<u>\$ 11,999</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

FOREST FIRE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 200	\$ 200	\$	\$ (200)
Charges for Services	1,000	1,000	271	(729)
Total Receipts	<u>1,200</u>	<u>1,200</u>	<u>271</u>	<u>(929)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,000	2,000	1,728	272
Total Disbursements	<u>2,000</u>	<u>2,000</u>	<u>1,728</u>	<u>272</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(800)</u>	<u>(800)</u>	<u>(1,457)</u>	<u>(657)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	800	800	1,728	928
Total Other Adjustments to Cash (Uses)	<u>800</u>	<u>800</u>	<u>1,728</u>	<u>928</u>
Net Change in Fund Balance			271	271
Fund Balance Beginning			<u>52</u>	<u>52</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 323</u>	<u>\$ 323</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 300,000	\$ 300,000	\$ 268,964	\$ (31,036)
Intergovernmental	225,000	225,000	251,468	26,468
Miscellaneous	1,500	1,500	30,446	28,946
Total Receipts	<u>526,500</u>	<u>526,500</u>	<u>550,878</u>	<u>24,378</u>
DISBURSEMENTS				
Protection to Persons and Property Administration	780,581	756,617	744,779	11,838
	236,800	260,764	259,002	1,762
Total Disbursements	<u>1,017,381</u>	<u>1,017,381</u>	<u>1,003,781</u>	<u>13,600</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(490,881)</u>	<u>(490,881)</u>	<u>(452,903)</u>	<u>37,978</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	490,881	490,881	452,903	(37,978)
Total Other Adjustments to Cash (Uses)	<u>490,881</u>	<u>490,881</u>	<u>452,903</u>	<u>(37,978)</u>
Net Change in Fund Balance				
Fund Balance Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

BULLITT COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2014

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

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BULLITT COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014

BULLITT COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 1,077,975	\$	\$	\$ 1,077,975
Land Improvements	255,659			255,659
Buildings and Building Improvemen	33,946,692			33,946,692
Machinery and Equipment	2,116,304			2,116,304
Vehicles	5,348,544	479,102	173,713	5,653,933
Infrastructure	9,050,416	448,414		9,498,830
Total Capital Assets	<u>\$ 51,795,590</u>	<u>\$ 927,516</u>	<u>\$ 173,713</u>	<u>\$52,549,393</u>

BULLITT COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2014

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 15,000	10-40
Buildings and Building Improvements	\$ 30,000	10-75
Machinery and Equipment	\$ 4,000	3-25
Vehicles	\$ 4,000	3-12
Infrastructure	\$ 20,000	10-50

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Melanie J. Roberts, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Bullitt County Fiscal Court for the fiscal year ended June 30, 2014 and the related notes to the financial statement and have issued our report thereon dated July 09, 2015. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Bullitt County Fiscal Court's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Bullitt County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bullitt County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations as item 2014-002 to be a material weakness.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bullitt County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation as item 2014-001.

County Judge's and Jailer's Responses to Findings

The Bullitt County Judge's and Jailer's responses to the findings identified in our audit are included in the accompanying comments and recommendations. The County Judge's and Jailer's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

July 09, 2015

**BULLITT COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2014

BULLITT COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2014

STATE LAWS AND REGULATIONS:

2014-001 The Jailer Should Follow County's Required Bid Procedures For Purchases In Excess Of \$20,000
 KRS 424.260

During our audit, we became aware that the Jailer purchased a 2014 Ford Explorer for \$26,400 and a 2013 Ford Club Wagon E350 for \$25,605 using Jail Commissary funds. These were purchased from a dealership that does not have a current state price contract. Therefore, the Jailer should have obtained bids according to the County's bid procedures. Additionally, we noted that neither of the sales agreements reviewed were signed. The Jailer is not following KRS requirements on bidding procedures, therefore, there is a possibility that the Jailer is paying more for assets than if it was bid out. The Jailer does not have adequate policies and procedures in place to review purchasing requirements before purchases are made. KRS 424.260(1) requires that "Except where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids." We recommend that the Jailer follow the County's bid procedures and the Jailer should review sales agreements for accuracy and sign the agreements. The bid process should be properly documented and maintained on file.

County Jailer's Response: Please note this same comment was addressed in the 2013 audit, even though the purchases were made in the 2014 fiscal year. The response remains the same, "All future purchases will be handled following the guidelines outlined in KRS 424.260(1) along with the County's bid procedures. We will also have complete documentation. We were unaware that the dealership did not have a state price contract, even though we were given state pricing. This particular dealer has been used for years for purchasing other county vehicles.

INTERNAL CONTROL – MATERIAL WEAKNESS:

2014-002 The Bullitt County Animal Control Lacks Adequate Segregation Of Duties Over Receipts

The Bullitt County Animal Control office lacks adequate segregation of duties over receipts. Animal Control collects payments from customers and prepares deposits. Pre-numbered three-part receipt forms are not issued and no daily checkout sheets prepared. There is no accounting for the Dog Licenses sold and receipts books used are not numbered.

Lack of oversight could result in misappropriation of assets and/or inaccurate financial reporting to the County Treasurer which could occur and go undetected.

The segregation of duties over various receipts accounting functions such as collection of payments from customers, batching daily receipts, preparation of daily checkout sheet and preparing deposits, or the implementation of compensating controls is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

BULLITT COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2014
(Continued)

INTERNAL CONTROL – MATERIAL WEAKNESS:

2014-002 The Bullitt County Animal Control Lacks Adequate Segregation Of Duties Over Receipts
(Continued)

In an effort to help strengthen internal controls, we recommend that the Bullitt County Animal Control issue pre-numbered three-part receipt forms in accordance with KRS 64.840. The original receipt should be given to the payor, copy to be attached in sequential order to daily cash check-out or daily deposit record, and copy to remain in file. Voided receipts should be so marked, copies one and two kept in numerical order with check-out records, and copy three remaining in file. The receipts are then batched daily and posted to a daily checkout sheet. KRS 68.210 states that deposits should be made daily. The Bullitt County Animal control should take the previous day batched receipts with copy of daily checkout to County Treasurer for deposit to the General Fund.

County Judge/Executive's Response: As this is the first time this issue was brought to our attention, controls will be put in place to ensure compliance with all KRS requirements.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

BULLITT COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2014**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BULLITT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2014

The Bullitt County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer

